

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05 L-03  
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02  
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R 131637Z JAN 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 4228  
INFO AMCONSUL JERUSALEM  
AMEMBASSY TEL AVIV

C O N F I D E N T I A L CAIRO 01421

E.O. 11652: GDS  
TAGS: ENRG, EG, IS  
SUBJ: GULF OF SUEZ - EGYPTIAN ISRAELI ACCOMMODATION

REF: CAIRO 1371

1. MFA LEGAL DEPARTMENT OFFICER AHMAD AL-KATAN, ACTING ON INSTRUCTIONS FROM LEGAL ADVISER NABIL AL-ARABY, SUMMONED ECONOFF TO MEETING JANUARY 12 FOR DISCUSSION OF COMPETING EGYPTIAN-ISRAELI INTERESTS IN GULF OF SUEZ AND POSSIBLE EGYPTIAN/ISRAELI ACCOMMODATION IN WHATEVER PEACE AGREEMENT EMERGES BETWEEN EGYPT AND ISRAEL. AL-KATAN LEFT UNCLEAR WHAT WAS SPECIFIC PURPOSE OF DISCUSSION, I.E., WHETHER HE WAS INSTRUCTED SEEK U.S. VIEWS OR IF HE WAS INFORMING U.S. OF GOE POSITION. HE EMPHASIZED, HOWEVER, THAT EGYPTIAN PREFERENCE FOR SETTLEMENT OF GULF OF SUEZ PROBLEM IS FOR FULL RETURN OF AREA TO EGYPTIAN SOVEREIGNTY. FOLLOWING THIS EGYPT WOULD BE READY TO TREAT ISRAEL AS PREFERRED BUT NEVERTHELESS COMMERCIAL PARTNER.

2. AL-KATAN, WHO HAS RECENTLY RETURNED FROM EGYPTIAN EMBASSY IN WASHINGTON, REMINDED EMBOFF OF U.S. LEGAL  
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POSITION REGARDING ISRAELI EXPLORATION IN OCCUPIED TERRITORIES. HE SAID GOE SEES NO NEED TO DISCUSS SPECIAL ACCOMMODATION WITH ISRAELIS OR NEPTUNE AS RESULT RECENT DISCOVERY IN GULF OF SUEZ BECAUSE THEIR ACTIVITIES ARE CLEARLY, ACCORDING TO U.S. AND EGYPTIAN VIEWS, ILLEGAL. IMPLICATION WAS THAT U.S. COULD NOT EXPECT EGYPT TO BE SOFT ON THIS POINT SINCE U.S.'S ALREADY-STATED POSITION IS

OPPOSED TO ISRAELI ACTIVITY. AL-KATAN LEFT OPEN  
POSSIBILITY OF COOPERATION ON FUTURE EXPLORATION ONCE  
AREA RETURNED TO EGYPTIAN SOVEREIGNTY.

3. EMBOFF COMMENTED THAT IN COURT OF LAW EGYPT'S  
ARGUMENT REGARDING "ILLEGALITY" OF ISRAELI AND NEPTUNE  
ACTIVITY PROBABLY WOULD BE VALID. IT IS UNLIKELY, HOWEVER,  
THAT PROBLEM WILL BE SOLVED "LEGALLY" BUT THAT POLITICAL  
SOLUTION WILL HAVE TO BE FOUND. ECONOFF ASKED AL-KATAN IF  
GOE PREPARED TO OFFER COMPROMISE ON THIS POINT, POINTING  
OUT STRATEGIC IMPORTANCE OF OIL SUPPLY FOR ISRAEL AND  
FACT THAT THEY HAD MADE ENCOURAGING DISCOVERY WHICH WOULD  
GO LONG WAY TOWARD ASSURING DAILY REQUIREMENTS. AL-KATAN  
SAID HE DID NOT KNOW OF ANY FALL BACK POSITION AND STRONGLY  
IMPLIED EGYPT EXPECTS SUPPORT FROM U.S. ON QUESTION OF  
RETURN OF FULL SOVEREIGNTY IN THIS AREA.

4. AL-KATAN ALSO POINTED OUT THAT SOLUTION IN GULF OF SUEZ  
WOULD BE MUCH EASIER IF PROBLEM ADDRESSED BEFORE ISRAEL  
STARTS PRODUCTION AT NEW DISCOVERY (NOTE: SET FOR LATE  
FEBRUARY-EARLY MARCH, ACCORDING RECENT REPORTS FROM TEL  
AVIV). HE DID NOT KNOW, HOWEVER, AT WHAT POINT EGYPTIANS  
PLANNED TO RAISE ISSUE IN DISCUSSIONS WITH ISRAELIS.

5. COMMENT: AS MENTIONED ABOVE, PURPOSE OF AL-KATAN'S  
SUMMONS NOT CLEAR. SUSPECT, HOWEVER, REASON MAY HAVE BEEN  
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TO INFORM USG THAT EGYPT CLEARLY EXPECTS FULL SUPPORT ON  
MATTER OF RETURN OF ANY OIL FACILITIES IN GULF OF SUEZ,  
WHILE AT SAME TIME INDICATING EGYPTIANS PREPARED TO  
CONTINUE TO GIVE ISRAEL ACCESS TO OIL FROM THAT AREA AND  
PERHAPS EVEN ENTER INTO JOINT DEVELOPMENT IN THE FUTURE.  
THE ABOVE IN ANY CASE IS CONSISTENT WITH PREVIOUS  
INDICATIONS OF GOE POLICY ON THIS SENSITIVE ISSUE. EILTS.

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## Message Attributes

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**Disposition Comment:** 25 YEAR REVIEW  
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